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INFO RUCNIRA/IRAN COLLECTIVE PRIORITY  
RUEHFL/AMCONSUL FLORENCE PRIORITY 2275  
RUEHMIL/AMCONSUL MILAN PRIORITY 8508  
RUEHNP/AMCONSUL NAPLES PRIORITY 2424  
RUEHBS/USEU BRUSSELS PRIORITY 4501  
RHEHNSC/NSC WASHDC PRIORITY

S E C R E T SECTION 01 OF 02 ROME 000628

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TREASURY FOR D/S KIMMITT AND U/S LEVEY  
STATE FOR EB; ISN/RA, RICHARD NEPHEW; ISN/CPI, ANTHONY  
RUGGIERO; EUR/WE, KATHLEEN ALLEGRONE, ANDREW YOUNG, AND  
KEVIN OPSTRUP

E.O. 12958: DECL: 03/27/2017  
TAGS: [KNNP](#) [PARM](#) [PREL](#) [EFIN](#) [KTFN](#) [ETTC](#) [ECON](#) [IR](#) [IT](#)  
SUBJECT: BANK OF ITALY ACTS AGAINST BANK SEPAH ROME

REF: A. STATE 38553  
[1](#)B. 06 ROME 3378  
[1](#)C. ROME 600

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Classified By: Economic Counselor Kathleen Reddy for  
reasons 1.4 (b) and (d).

[1](#)1. (S/NF) Summary: The Bank of Italy (BOI) has sent two "provisional administrators" to manage Bank Sepah Rome's affairs for the next 60 days, effectively placing the branch under BOI control. After that, BOI will decide whether to request that the Ministry of Finance (MOF) appoint a "special administrator" to manage the branch or liquidate the branch's assets altogether. A BOI official remarked that BOI was prepared for UNSCR 1747's passage a week earlier and had placed a bank examiner at the branch, but the delay had given Bank Sepah Rome time to transfer around 50 million euro to its Tehran headquarters. BOI reported that Bank Sepah Rome is "an empty box" -- it has no remaining liquid assets, cannot pay its employees, and now conducts no banking activity. Post will seek out regular BOI updates on Bank Sepah Rome's status and report details, as they are known. End summary.

[1](#)2. (S/NF) Economic Counselor met March 27 with Giovanni Carosio, BOI Board Member, and Giovanni Boccuzzi, Deputy Chief of Competition and Regulation, to discuss ref A points. (Note: Carosio was BOI's former Banking Supervision Chief and oversaw the 2006 BOI investigation into Bank Sepah Rome's activities with weapon proliferators (ref B).) Carosio explained that BOI had sent March 26 two "provisional administrators" into Bank Sepah Rome to manage the branch's affairs. The presence of the provisional administrators effectively puts Bank Sepah Rome under BOI's control, he said. The provisional administrators will remain at the branch for 60 days. During this time, BOI must decide whether to submit a formal request to the MOF to appoint a "special administrator" to manage the branch's affairs or liquidate the branch's assets. BOI also sent to all Italian banks a March 27 circular note informing them of UNSCR 1747 and the risk of doing any business with designated entities, like Bank Sepah.

[1](#)3. (S/NF) Carosio reported that BOI had sent an "examiner"

into Bank Sepah Rome the previous week in anticipation of UNSCR 1747's passage (ref C), as BOI had expected the UN to impose sanctions on Sepah a week earlier. The delay, he noted, was "unfortunate" and had damaged the resolution's impact. Boccuzzi reported that, in the week before UNSCR 1747's passage, Bank Sepah Rome had transferred approximately 50 million euro to its Tehran headquarters.

14. (S/NF) Carosio stated that Bank Sepah Rome has no remaining liquid assets, only 25 million euro in trade-related credits to Iranian importers (see below) and fixed assets -- namely, the branch's building, which Sepah owns. Bank Sepah Rome has fifteen Italian employees whom it can no longer pay. (Carosio reported that Bank Sepah employees were angry and wanted to strike against the bank.) BOI's provisional administrators report no banking activity whatsoever at the branch. "It's an empty box," Carosio remarked. While there are 25 million euro in credits to Iranian importers on the balance sheet, BOI does not anticipate that the importers will pay. (Note: EconCouns asked if any of these credits was covered by SACE, Italy's export credit agency. Carosio stated that SACE had covered some, but that the amount was "not significant.") Furthermore, he continued, since Bank Sepah is now isolated from the financial system, Bank Sepah Rome's Tehran headquarters cannot even transfer funds to pay three million euro of outstanding debts that Sepah owes Italian creditors. Boccuzzi claimed that BOI had coordinated the "provisional administrator" arrangement with other EU central banks, and mentioned the UK, Germany, and France, in particular.

15. (S/NF) Comment: BOI officials believe they have acted quickly and decisively to enforce UNSCR 1747 by sending two provisional administrators to Bank Sepah Rome; however, BOI does not appear to have frozen branch assets; e.g., the title to Bank Sepah Rome's fixed assets. The bottom line is that

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-- even though it cannot pay its creditors, fund its operations, or conduct business in Italy -- Bank Sepah Rome remains open. We will seek out regular BOI updates of the branch's status and report details, as they become known.  
End comment.  
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